Stock Note

AstraZeneca Pharma India Ltd.

Sep 11, 2023

RETAILRESEARCH

AstraZeneca Pharma India Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Pharmaceuticals	Rs 4359	Buy in the band of Rs 4350-4398 & add more on dips to Rs 3884	Rs 4803	Rs 5095	2-3 quarters

HDFC Scrip Code	ASTZENEQNR
BSE Code	506820
NSE Code	ASTRAZEN
Bloomberg	ASTR IN
CMP Sep 8, 2023	4359
Equity Capital (Rs cr)	5
Face Value (Rs)	2
Equity Share O/S (cr)	2.5
Market Cap (Rs cr)	10896
Book Value (Rs)	235
Avg. 52 Wk Volumes	19528
52 Week High	4368
52 Week Low	2911

Share holding Pattern % (Jun, 2023)	
Promoters	75.00
Institutions	4.61
Non Institutions	20.39
Total	100.0

HDFCsec Retail research stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

AstraZeneca India is the Indian subsidiary of UK-based AstraZeneca Plc. The company's focus therapeutic areas are Oncology, Cardiac, Respiratory, Renal and Metabolic. It is the third largest player in Oncology segment in India. Company has built strong brand identity consisting of innovative brands such as Brilinta, Forxiga, Xigduo, Symbicort, Onglyza and Kombiglyze. It also co-ordinates for clinical trial services with other overseas companies of AstraZeneca group.

Over the last few years, AstraZeneca has consolidated its focus on fast growing areas such as Oncology, Cardiac, Respiratory etc. Moreover, its portfolio consists of innovative patented molecules which face lesser competition.

Out-licensing deals provide the company a readymade platform and that helps to widen the network and provides access to the target prescribers. Its parent has a strong pipeline of Oncology, Cardiac and Respiratory drugs. The company has already launched its blockbuster brands Brilinta and Forxiga. Apart from this, the company has also launched innovative products such as Lynparza, Tagrisso (Oncology) and Pulmicort and Symbicort (Respiratory).

In FY23 AGM, Board approved consideration of material Related Party Transactions with AstraZeneca UK Limited for an amount not exceeding in aggregate Rs. 600 crore. It also considered and approved material Related Party Transactions with AstraZeneca AB, Sweden for an amount not exceeding in aggregate Rs. 250 crore. Actual sales for FY23 stood at Rs 675cr which included Rs 61cr as service income. This expected rise in related transactions gives an indication of revenue growth going forward. In this business also, the company has strong margin profile, that ensures better overall margin and profitability.

AstraZeneca India has a new CEO from Jan 01, 2023. Dr. Sanjeev Panchal was appointed as Country President & Managing Director, AstraZeneca Pharma India Ltd. Dr. Panchal has been with AstraZeneca for 19 years and began his career in India back in 2003 as a Brand Associate. Sanjeev was earlier the Country President for AstraZeneca Malaysia, where he was instrumental in transforming the business, by driving new launches, innovative patient centric partnerships and Market Access strategies, guiding an inclusive and diverse team to achieve double digit growth outpacing market. AstraZeneca India’s topline and margin have seen strong uptick in Q4FY23 and Q1FY24.

Valuation & Recommendation:

AstraZeneca has strong portfolio of products (~90% chronic) that caters mainly to super-specialists and Specialist Doctors. The top 10 brands are leaders in their respective segments and contribute a large part of business. Key earnings driver are 1) strong demand for its core products (top 20 products account for > 80% of revenues), 2) healthy new product launch pipeline and 3) Strong traction in traded goods business (bought from AstraZeneca UK/Sweden). Strong cash rich balance sheet enables it to look out for acquisition/in-licensing opportunities. We expect 14.5% CAGR in sales and 27%/45% CAGR in EBITDA/PAT over FY23-25E. It would be led by better gross margin and expansion in overall margin. We feel that premium valuations for AstraZeneca can sustain due to superior earnings profile as compared to peers and leadership position in key brands/therapies. We recommend investors to buy the stock in the band of Rs 4350-4398 and add more on dips to Rs 3884 (46.5x FY25E EPS) for base case target price of Rs 4803 (57.5x FY25E EPS) and bull case target price of Rs 5095 (61x FY25E EPS) over the next 2-3 quarters.

Financial Summary

Particulars (Rs cr)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Revenues	296	232	27.2	285	3.8	728	832	814	806	1,003	1,166	1,312
EBITDA	67	28	140.4	60	12.5	74	121	135	86	165	227	267
Depreciation	4	5	-17.4	4	-9.5	15	19	20	17	16	18	21
Other Income	8	4	97.6	8	1.3	16	13	13	15	26	33	39
Interest Cost	0	0	0.0	0	100.0	2	1	1	1	1	1	1
Tax	18	7	146.5	6	191.7	18	42	34	21	35	63	75
APAT	54	20	166.8	17	211.6	55	72	93	62	99	178	209
EPS (Rs)						21.8	28.9	37.3	24.6	39.7	71.2	83.5
RoE (%)						19.9	21.7	22.7	12.7	18.1	27.2	26.5
P/E (x)						199.9	150.9	116.8	176.9	109.7	61.2	52.2
EV/EBITDA (x)						141.2	86.3	76.8	120.7	62.9	45.9	39.0

(Source: Company, HDFC sec)

Q1FY24 result update

Revenue for the quarter grew 27.2% YoY at Rs 296cr. Gross margin was down 150bps YoY at 62.6%. EBITDA margin expanded 1170bps YoY at 22.8%. Net profit was up 167% YoY at Rs 54cr. Other Income was up 98% YoY at Rs 8cr.

In FY23, Revenue grew 24.5% YoY at Rs 1003cr led by strong growth from Oncology segment. India revenue grew 23.7% YoY at Rs 939cr. International business registered 39% YoY increase at Rs 64cr. Gross margin improved 280bps YoY at 64.1%. EBITDA margin expanded 580bps YoY at 16.5% led by better gross margin and operating leverage. Net profit was up 61% YoY at Rs 99cr. It included Rs 40.3cr as one-off Employee VRS and separation expenses. Other Income was up 77% YoY at Rs 26cr. Board recommended Rs 16 per share as final dividend for the year.

Company derived 47% of revenue from Oncology, 28% from Cardiac, 22% from Anti-diabetic and 3% from Respiratory in FY22. Company derived 56% of revenue from Oncology, 27% from Cardiac, 14% from Anti-diabetic and 3% from Respiratory in FY23.

Oncology segment registered robust 48% YoY growth for FY23. Respiratory and Immunology revenue grew 52% YoY while Cardiac portfolio grew 18% YoY. Diabetic segment registered 23% decline on YoY basis for the year.

Key Triggers

Oncology

With a firm emphasis on early detection and intervention, AstraZeneca is actively working towards bringing patients closer to achieving a cure. By leveraging the potential of innovative medicines and novel combinations, the company is committed to combating metastatic or resistant forms of cancer and attaining significant treatment responses. Through its strong research endeavors, AstraZeneca continuously identifies new biomarkers and therapeutic targets, thereby revolutionising both the diagnosis and treatment strategies employed in the fight against cancer.

Within its Oncology business unit, AstraZeneca acknowledges and considers the distinctive characteristics of each tumour, surpassing the constraints associated with the tumour-type classification. Company provides curative solutions for cancer across all stages, the company diligently follows scientific advancements to unravel the intricate complexities of the disease. Company derived ~56% of total sales from Oncology during FY23.

Oncology segment is anticipated to witness significant advancements, with 100 new treatments expected to be introduced within the next five years. Cancer medicine spending rose to US$ 196 billion globally in 2022 and is expected to reach US$ 375 billion by 2027, driven by continued innovation and uptake of biosimilars in major markets. The oncology market in India is forecast to grow by US$ 947.8 million during 2022-27, to grow at CAGR of 13.5% during the forecast period. The rise in oncology spending is attributable to several factors, including early diagnosis of patients, the continuous introduction of new drugs, improved accessibility to innovative cancer medications, and extended treatment durations for medicines that offer survival benefits.

Cardiovascular, Renal, and Metabolic (CVRM)

AstraZeneca, a global leader in the fight against cardiovascular, renal, and metabolic/anti-diabetic (CVRM) diseases, demonstrated its unparalleled proficiency by addressing intricate medical conditions through patient-centric approaches. As the prevalence of obesity increases and populations continue to age, the risks associated with CVRM escalate.

Company prioritises enhancing access to medication, advancing its research and development pipeline, and spearheading healthcare innovation to revolutionise the care provided to individuals with CVRM diseases.

Respiratory and Immunology

AstraZeneca is widely recognised as a leading authority in respiratory care, offering a comprehensive portfolio of inhaled and biologic medicines. It is into the treatment landscape for asthma and chronic obstructive pulmonary disease (COPD).

With a portfolio of inhaled and biologic medicines and a strong pipeline, the company addresses the challenges and vast medical needs of patients.

The company follows the scientific evidence trail from chronic lung diseases to conditions driven by immune dysregulation. Within its Respiratory and Immunology Unit, a dedicated team relentlessly pursues disease control and clinical remission in targeted immune-driven disorders.

AR FY23 key highlights

In line with the global strategy, the growth through innovation strategy worked well with innovative molecules like Osimertinib (Tagrisso), Olaparib (Lynparza), Durvalumab (Imfinzi), Benralizumab (Fasenra) and Acalabrutinib (Calquence). Ticagrelor (Brilinta) is approved for treatment in Acute Coronary Syndrome (ACS), it grew 26.5% year on year despite loss of exclusivity by parent company. Ticagrelor continues to be the market leader with value share of 19.9% as against 17.2% last year in Oral Anti Platelets (OAP) market as per IQVIA report MAT March 2023.

Its continued focus on awareness of use of potent anti-platelet drugs in ACS including the correct diagnosis and science behind the product led to this achievement despite the presence of several generics in the market.

In FY23, Fasenra the first Biologic from AstraZeneca to treat Severe Eosinophilic Asthma (SEA) has touched more than 400 Patients. Fasenra has gained significant traction amongst Pulmonologists. It is regarded as the most effective, convenient and safe therapy for SEA.

For FY23, Foreign Exchange earnings stood at Rs 61.2cr while foreign exchange outgo was at Rs 374.7cr.

Forxiga franchise, as part of the SGLT2 class of drug (Sodium Glucose Cotransporter Inhibitors), grew despite strong headwinds from several companies who launched generic versions of Dapagliflozin. Company continues to focus on high science and approval of Forxiga 10 mg in new indications like HFrEF & CKD which are helping SGLT2 inhibitors to be used early for these indications irrespective of the presence of type 2 diabetes.

In Oncology, the company has gained 12 positions in the last 3 years and is now ranked third overall. It is also the third fastest growing MNC in India as per the latest available IPSOS report MAT December 2022. In FY23, Oncology business achieved strong growth of 48%. This was on the back of strong performance from Tagrisso (Osimertinib), Imfinzi (Durvalumab) and Lynparza (Olaparib) showing healthy share gains, besides continued strong market growth coupled with the approval and launch of the following new indications:

1. TOPAZ 1 – It is the first global phase 3 study to report positive results of Imfinzi (Durvalumab) in combination with chemotherapy as the first line treatment for advanced Biliary Tract Cancer (BTC), a treatment setting with no major global treatment advancement in over a decade. The combination was not only statistically significant but also showed clinically meaningful prolonged overall survival versus the comparative group on Chemotherapy & Placebo. This immunotherapy based regimen is the new Standard of Care in the Treatment of Advanced BTC.
2. ADAURA – for the adjuvant treatment of patients with early stage EGFRm non-small cell lung cancer (NSCLC) that recorded a noteworthy reduction of 79% in disease recurrence or death with Tagrisso (Osimertinib). Updated results from ADAURA showed adjuvant Osimertinib continued to prolong the overall survival for these patients who receive adjuvant Osimertinib after surgical resection.
3. OlympiA – Lynparza became the first and only approved medicine targeting BRCAm in early breast cancer as adjuvant treatment for gBRCAm HER2-negative high-risk patients based on the OlympiA Phase III trial. This indication was launched in India in September 2022 and focused through evidence generation (prevalence study) and diagnostic patient support programme in 2023. In FY22, the company introduced Benralizumab (Fasenra), which is an innovative therapy to treat Severe Uncontrolled Asthma. Fasenra is also the Company's first Monoclonal Antibody to target Eosinophilic Pathway of Asthma (One of the Phenotype).

Oncology

Every year, over a million new patients are diagnosed with cancer, and it has become a major cause of mortality in India. Company's oncology portfolio spans across areas of women's cancer with a strong presence in Breast & Ovarian, Lung cancer, Prostate, and Hematology, and has been the growth engine for the company. Tagrisso (Osimertinib) is the leading brand in lung cancer by sales value.

Lynparza (Olaparib) is the number one ovarian cancer brand. Recent label extensions will continue to drive the next phase of growth for both these brands.

Imfinzi (Durvalumab) continues to recruit newer patients and make significant contributions to the lung franchise. Company had entered into Gastro-Intestinal Cancer space with Imfinzi's indication expansion into Biliary Tract Carcinoma, and it boasts a strong pipeline of exciting label expansions in near future.

Oncology Brands
Tagrisso (Osimertinib) has sustained its prominent position as the largest brand specialising in the treatment of Lung Cancer in India. In Feb-2022, the company took a strategic decision to rationalise the price in the Indian market, as part of their unwavering commitment to enhance patient access to innovative treatments and in recognition of the affordability challenges faced by patients seeking such therapies. This price change has been received well in the market and has led to 40% growth in new patient enrolments (April 2022 – March 2023) post sustainability programme implementation.

Lynparza (Olaparib), an Oral PARP Inhibitor used to treat PARP dependent tumors like ovarian cancer, breast cancer, prostate cancer and pancreatic cancer, which was launched in Feb-2019, continues to be a leader in Ovarian Cancer market. After having established BRCA testing as a standard procedure in Ovarian

Cancer patients, the Company has now created partnerships with ecosystem in expanding on Homologous Recombination Deficiency testing capability in the market, helping more patients benefit from the available targeted treatment therapies like Olaparib.

Imfinzi (Durvalumab) was launched in October 2019 for the patients with unresectable, Stage III NSCLC whose disease has not progressed following platinum-based chemotherapy and radiation therapy and in extensive stage small cell lung cancer continues to progress well. The brand registered growth of 185% during the year.

Anti-Diabetic
Forxiga franchise, as part of the SGLT2 class of drug (Sodium Glucose Cotransporter Inhibitors), grew despite strong headwinds from several companies who launched generic versions of Dapagliflozin. Company continues to focus on high science and approval of Forxiga 10 mg in new indications like HFrEF & CKD which are helping SGLT2 inhibitors to be used early for these indications irrespective of the presence of type 2 diabetes.

The company has a strong portfolio of oral antidiabetic drugs with presence in 2 key drug classes: - SGLT2 inhibitors, and DPP4 inhibitors. DPP4, and SGLT2 are the 2nd, and 3rd largest category of OAD in IPM. SGLT2i has been the fastest growing category within OAD in recent years. The Company's innovator brands of SGLT2i have felt the impact of 100+ generic brands which have been launched. The portfolio which has traditionally been a growth engine with double digit growth, had registered decline in FY22 and FY23. Over the last two years, anti-diabetic revenue declined significantly and stood at Rs 138cr.

Cardiac

Cardiovascular (CV) disease continues to be the leading cause of death in the country. The Company with its strong CV portfolio of drugs is committed to alleviating the burden imposed by CV diseases. Brilinta (Ticagrelor) – belonging to Oral antiplatelet (OAP) category of drugs, used in the management of Acute Coronary Syndrome (ACS), continues to remain the market leader. The past year witnessed the launch of over 30 generics following the patent expiry of Ticagrelor in 2019. Brilinta is likely to sustain its market leadership with double digit growth and save even more patient lives in the coming year.

Indian Pharma Market (IPM)

India's Domestic Branded Pharmaceutical Formulations Market (IPM), valued at more than US$ 23 billion grew by 9.3% YoY in FY23. It was led by Chronic and sub-chronic therapies followed by Acute therapy. With a share of ~55% in the IPM, chronic and sub-chronic therapies have grown year-on-year at a rate of 10.6% in FY23, while acute therapy comprising ~45% of the IPM, grew by modest 7.8% for the similar period. This subdued growth of acute therapy was on account of a high base of the previous year, during which the IPM witnessed strong rebound from the aftermath of Covid-19. Besides, acute therapy registered low single digit growth of 3% during H1, while it grew double digit in H2. The chronic and sub-chronic therapies during both the periods have sustained double digit growth. (Source: AWACS) According to IQVIA, the IPM is expected to reach US$ 37 billion by FY27, growing at a CAGR of 10-11% during the period FY23-27E. The rising prevalence of non-communicable diseases (NCDs) and the demand for acute therapies will drive this growth. Furthermore, improvements in the drug registration process will make India an attractive destination for the early launch of innovative drugs. The expanding e-pharmacy sector, the introduction of new over-the-counter (OTC) regulations and the expansion of co-marketing agreements will also contribute to the industry's growth. The international pharmaceuticals markets are challenged with several headwinds including geopolitical tensions, regulatory pressures and higher R&D spends.

Recent Developments

Though companies can heave a sigh of relief after the recent National Medical Commission (NMC) regulations have been kept in abeyance, this episode serves as a reminder of the regulatory risks attached to domestic businesses. Regulations stated that doctors must avoid prescribing branded generics and should prescribe generics, failing which they will be penalized. Robust GMP regulations across facilities with stringent testing requirements (< 1% of generics are tested for quality) are required before generic prescriptions are made mandatory. Presently, quality standards vary significantly across manufacturers, not providing egalitarian opportunities for all companies. Renowned brands come with a certain stamp of quality and track record, thereby lending comfort to doctors for prescribing these.
Apart from low testing, one of the key quality issues is the limited requirement of bio-equivalence (BE) studies, which establish that absorption, distribution, metabolism and excretion of a generic is similar to the innovator drug.

Related Party Transactions

In FY23 AGM, shareholders approved consideration of material Related Party Transactions with AstraZeneca UK Limited for an amount not exceeding in aggregate Rs. 600 crore. It also considered and approved material Related Party Transactions with AstraZeneca AB, Sweden for an amount not exceeding in aggregate Rs. 250 crore. Actual sales for FY23 stood at Rs 675cr which included Rs 61cr as service income.

In FY22 AGM, Shareholders had approved of material Related Party Transactions with AstraZeneca UK Limited for an amount not exceeding in aggregate Rs. 400 crore. Board had approved material Related Party Transactions with AstraZeneca AB, Sweden for an amount not exceeding in aggregate Rs. 120 crore. Actual sales for FY22 stood at Rs 497cr which included service income of Rs 44cr.

Blockbuster brands driving growth ahead of IPM

As MNCs typically want to own the segment/therapy they are present in, they tend to dominate their respective therapies and are ranked as largest player with large gap between their brand and no.2 competitor. As stakes are huge in growth markets like India where there are more than 20 MNC firms besides several Indian companies, brand loyalty with Doctors remains a key driving factor resulting in strong prescription growth. For most of the MNCs, top 10-15 brands usually account for 60-80% of their domestic sales, which drives growth and margin.

Strong cash flows annually, huge cash surplus

Unlike most Indian companies which are required to invest regularly on capex and R&D programmes for growth, MNC pharma are not burdened with such requirements. As a result, their brands drive strong operational cash flows and with sale of assets/tail-end brands and global divestments, they have accumulated strong cash reserves which average 5-10% of their current market cap. Cash position for most MNCs are quite healthy which can be used for one-time dividend payment or can be used for M&A activity or buy-backs.

Key Risks

Jan Aushadhi/Pradhan Mantri Bhartiya Jan-aushadhi Pariyojna (PMBJY)

Rollout of the Jan Aushadi Kendras is important step taken by Govt. to make sure that everyone has access to medicines at affordable price. It has not scaled up much yet. It had reported sales of Rs 893cr in FY22 and Rs 1236cr in FY23. Significant scale up of this may hurt branded players.

As on May-2023, the government has operationalised 9,500 Jan Aushadhi Kendras with products comprising 1,800 lifesaving medicines and 285 surgical, nutraceuticals and medical devices, at 50-90% cheaper than the branded ones. In the past 9 years, citizens have made a total savings of approximately Rs 20,000 crore with the help of this scheme as per media report.

Product Concentration Risk

The company derives around 80% of revenue from its top-20 brands. Any negative impact on the key products / high growth products could impact its growth in revenue and profitability.

Regulatory risk

Government policies like revised NLEM list, price revision measures, ban on irrational combinations / FDCs are common risk factors for all domestic participants, including MNCs. In comparison, the players having large international presence face international regulatory compliance issues (like US FDA, UK MHRA audit), manufacturing challenges, volatile currency movements, huge R&D investments, price erosion pressures/tender-based pricing, etc. which are more challenging aspects as compared to domestic risk factors. About 15-20% of portfolio is under NLEM. Any further addition of its key brands/products may hurt revenue/profitability.

E-pharmacy and Pharmacy Chains

The retail pharmacy sector is estimated to comprise of at least 6,00,000 licensed outlets. Most are small, independent businesses, but pharmacy chains and e-pharmacies are growing fast. Pharmacy chains have expanded aggressively with MedPlus at 3,800+ stores and Apollo at about 5,500 stores. In 2022, the market for online pharmacies was worth Rs 2800-3000cr. It is anticipated to expand at a compound annual growth rate (CAGR) of 20% from 2022 to 2027. This will increase access to organized pharmacies across the country and consequently drive increased demand and healthy competition.

Company Background

AstraZeneca is engaged in the business of manufacture, distribution and marketing of pharmaceutical products and co-ordinates clinical trial services with the overseas group company.

AstraZeneca India is the Indian subsidiary of UK-based AstraZeneca Plc. The company's only manufacturing facility is located at Yelahanka, Bengaluru. The company's focus therapeutic areas are Oncology, Cardiac, Respiratory, Renal and Metabolic. It is the third largest player in Oncology segment in India. Company has built strong brand identity consisting of innovative brands such as Brilinta, Forxiga, Xigduo, Symbicort, Onglyza and Kombiglyze. It also co-ordinates for clinical trial services with other overseas companies of AstraZeneca group.

AstraZeneca India appointed Dr. Sanjeev Panchal as Country President & Managing Director, AstraZeneca Pharma India Ltd. Sanjeev was earlier the Country President for AstraZeneca Malaysia, where he was instrumental in transforming the business, by driving new launches, innovative patient centric partnerships and Market Access strategies, guiding an inclusive and diverse team to achieve double digit growth outpacing market.

About Parent AstraZeneca PLC

AstraZeneca plc is a British-Swedish multinational pharmaceutical and biotechnology company with its headquarters at the Cambridge Biomedical Campus in Cambridge, England. It has a portfolio of products for major diseases in areas including Oncology, Cardiovascular, Gastro-Intestinal, Neuroscience (CNS), Respiratory, and inflammation. It was also involved in developing the Oxford–AstraZeneca COVID-19 vaccine.

The company was founded in 1999 through the merger of the Swedish Astra AB and the British Zeneca Group (itself formed by the demerger of the pharmaceutical operations of Imperial Chemical Industries in 1993). Since the merger it has been among the world's largest pharmaceutical companies and has made numerous corporate acquisitions, including Cambridge Antibody Technology (2006), MedImmune (2007), Spirogen (2013) and Definiens (by MedImmune in 2014). It has its research and development concentrated in three strategic centres: Cambridge, England; Gothenburg, Sweden and Gaithersburg in Maryland, US. AstraZeneca has a primary listing on the London Stock Exchange and is a constituent of the FTSE 100 Index. Company has around 90,000 employees across the globe. Astrazenca PLC reported revenue of US$ 44.3 billion, EBITDA/PAT of US$ 3.8 billion/US$ 3.3 billion for FY22.

In 2022, R&D expenditure was at US$ 9.76 billion (2021: US$ 9.73 billion; 2020: US$ 6 billion). Investment in 2022 increased to support the late-stage assets across Oncology and BioPharmaceuticals, including eplontersen (in-licensed from Ionis in 2021) and Andexxa in CVRM, and Enhertu, Camizestrant and Ceralasertib in Oncology. Company is one of the leading players in Oncology, Cardiac and Rare diseases.

It derived about 63% of revenue from Oncology and Cardiac while Respiratory at 14%, Rare diseases at 17% for FY22.

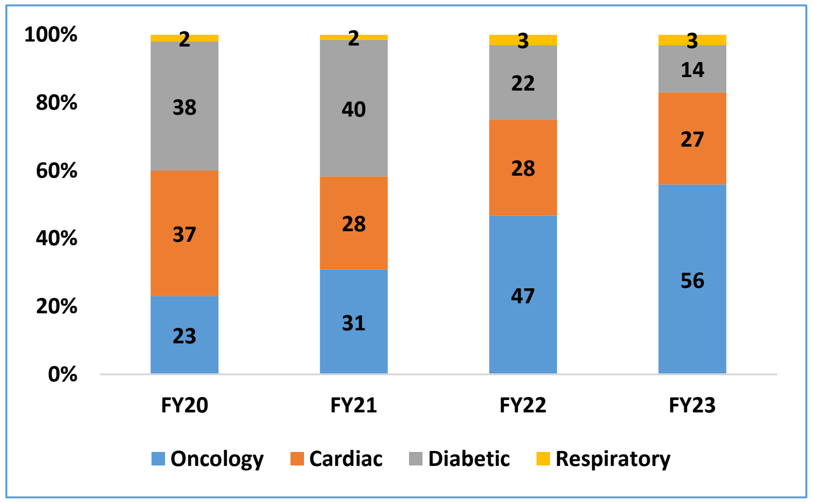
AstraZeneca Pharma India Ltd.

AstraZeneca PLC Key Products

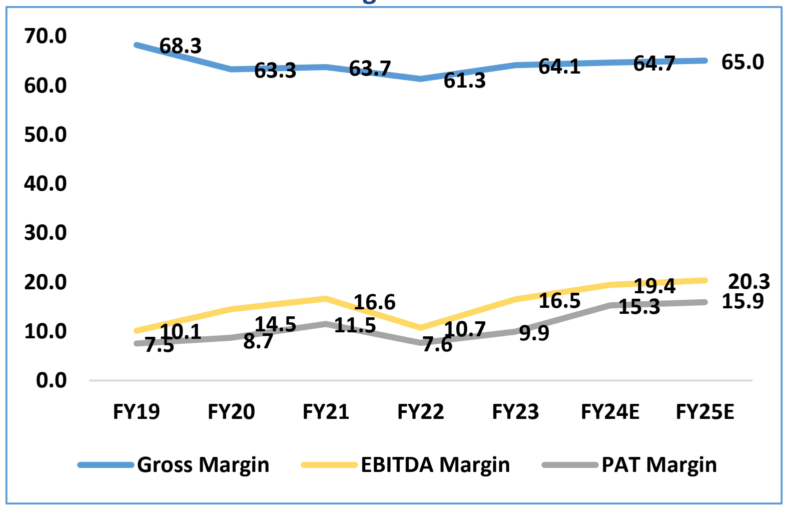
H1 2023 Performance

	Total Revenue USD million	Growth vs. PY USD million	Growth vs. PY CER%
Farxiga	2,834	729	40%
Imfinzi	1,976	682	57%
Ultomiris	1,364	511	64%
Enhertu	580	376	>2x
Calquence	1,185	282	33%
Tagrisso	2,915	211	12%
Breztri	307	128	76%
Tezspire	135	119	>8x
Strensiq	562	112	26%
Fasenra	744	82	14%
Saphnelo	115	79	>3x
Lokelma	198	69	59%
Koselugo	159	58	57%

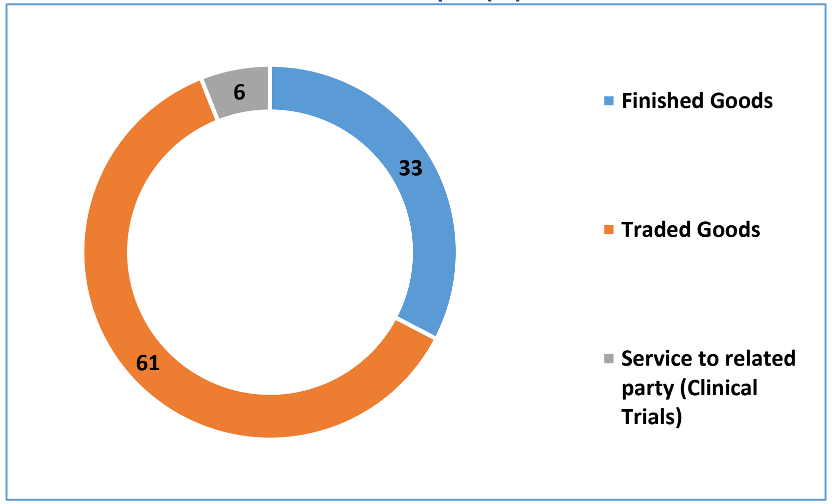
Revenue Mix



Margin Trend



Revenue Split (%)



(Source: Company, HDFC sec)

Financials

Income Statement

(Rs Cr)	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Revenue	832	814	806	1003	1166	1312
Growth (%)	14.2	-2.2	-1.0	24.5	16.3	12.5
Operating Expenses	711	678	720	838	940	1046
EBITDA	**121**	**135**	**86**	**165**	**227**	**267**
Growth (%)	63.7	12.3	-36.4	91.9	37.1	17.8
EBITDA Margin (%)	14.5	16.6	10.7	16.5	19.4	20.3
Depreciation	19	20	17	16	18	21
EBIT	102	115	69	149	209	246
Other Income	13	13	15	26	33	39
Interest expenses	1	1	1	1	1	1
PBT	114	127	83	134	240	284
Tax	42	34	21	35	63	75
RPAT	**72**	**93**	**62**	**99**	**178**	**209**
Growth (%)	32.5	29.2	-34.0	61.2	79.2	17.4
EPS	28.9	37.3	24.6	39.7	71.2	83.5

Balance Sheet

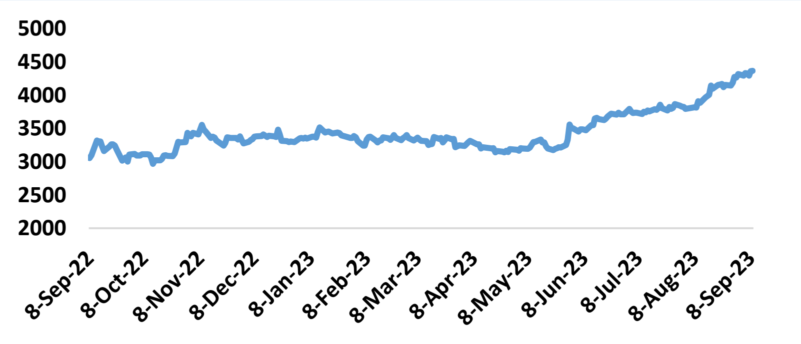
As at March	FY20	FY21	FY22	FY23	FY24E	FY25E
SOURCE OF FUNDS						
Share Capital	5.0	5.0	5.0	5.0	5.0	5.0
Reserves	359	451	506	584	712	853
Shareholders' Funds	**364**	**456**	**511**	**589**	**717**	**858**
Long Term Debt	0	0	0	0	0	0
Net Deferred Taxes	-64	-65	-68	-72	-72	-72
Long Term Provisions & Others	15	15	13	12	17	23
Total Source of Funds	**316**	**407**	**456**	**529**	**662**	**809**
APPLICATION OF FUNDS						
Net Block	96	85	77	70	73	104
Long Term Loans & Advances	5	6	6	7	10	16
Total Non-Current Assets	**101**	**91**	**83**	**77**	**83**	**120**
Current Investments	0	0	0	0	0	0
Inventories	165	160	140	190	208	230
Trade Receivables	83	85	86	108	123	141
Cash & Equivalents	253	352	449	501	613	717
Other Current Assets	41	22	31	37	46	59
Total Current Assets	**542**	**619**	**706**	**835**	**990**	**1147**
Short-Term Borrowings	0	0	0	0	0	0
Trade Payables	210	179	190	228	241	265
Other Current Liab & Provisions	73	88	100	114	128	146
Short-Term Provisions	44	37	43	42	43	47
Total Current Liabilities	**327**	**304**	**333**	**384**	**411**	**458**
Net Current Assets	215	315	373	452	579	689
Total Application of Funds	**316**	**407**	**456**	**529**	**662**	**809**

HDFC securities Click. Invest. Grow. 20 YEARS

Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22	FY23	FY24E	FY25E
Reported PBT	114	127	83	134	240	284
Non-operating & EO items	-25	-13	-15	-26	-33	-39
Interest Expenses	1	1	1	1	1	1
Depreciation	19	20	17	16	18	21
Working Capital Change	13	2	40	-26	-15	-7
Tax Paid	-34	-33	-25	-41	-63	-75
OPERATING CASH FLOW (a)	**88**	**105**	**101**	**58**	**149**	**185**
Capex	-14	-7	-10	-9	-21	-52
Free Cash Flow	73	97	91	50	128	133
Investments	-182	168	0	1	-3	-5
Non-operating income	25	13	15	26	33	39
INVESTING CASH FLOW (b)	**-171**	**173**	**5**	**18**	**9**	**-18**
Debt Issuance / (Repaid)	-3	-3	-4	-4	5	6
Interest Expenses	-1	-1	-1	-1	-1	-1
FCFE	70	93	86	45	132	138
Share Capital	0	0	0	0	0	0
Dividend	-3	-5	-5	-20	-50	-68
FINANCING CASH FLOW (c)	**-6**	**-9**	**-9**	**-25**	**-46**	**-63**
NET CASH FLOW (a+b+c)	**-90**	**269**	**96**	**52**	**112**	**104**

One Year Price Chart



Key Ratios

	FY20	FY21	FY22	FY23	FY24E	FY25E
Profitability (%)						
Gross Margin	63.3	63.7	61.3	64.1	64.7	65.0
EBITDA Margin	14.5	16.6	10.7	16.5	19.4	20.3
EBIT Margin	12.3	14.2	8.6	14.8	17.9	18.7
PAT Margin	8.7	11.5	7.6	9.9	15.3	15.9
RoE	21.7	22.7	12.7	18.1	27.2	26.5
RoCE	26.9	24.5	13.2	24.8	28.4	27.9
Solvency Ratio						
Net Debt/EBITDA (x)	-2.1	-2.6	-5.2	-3.0	-2.7	-2.7
D/E	0.0	0.0	0.0	0.0	0.0	0.0
Net D/E	-0.7	-0.8	-0.9	-0.9	-0.9	-0.8
PER SHARE DATA						
EPS	28.9	37.3	24.6	39.7	71.2	83.5
CEPS	36.3	45.4	31.4	46.2	78.4	92.0
BV	146	182	205	235	287	343
Dividend	2.0	2.0	8.0	16.0	19.0	26.0
Turnover Ratios (days)						
Debtor days	37	38	39	39	39	39
Inventory days	62	73	68	60	65	64
Creditors days	184	169	174	181	170	168
VALUATION						
P/E	150.9	116.8	176.9	109.7	61.2	52.2
P/BV	29.9	23.9	21.3	18.5	15.2	12.7
EV/EBITDA	86.3	76.8	120.7	62.9	45.9	39.0
EV / Revenues	12.5	12.8	12.9	10.4	8.9	7.9
Dividend Yield (%)	0.0	0.0	0.2	0.4	0.5	0.6
Dividend Payout	6.9	5.4	32.5	40.3	26.7	31.1

(Source: Company, HDFC sec)

KUSHAL MAHENDRA RUGHANI

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HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.